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Gender differences in the financial knowledge of Canadians

by Marie Drolet

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.. not available for a specific reference period
... not applicable
0 true zero or a value rounded to zero
0^s value rounded to 0 (zero) where there is a meaningful distinction between true zero and the value that was rounded
^{p} preliminary
^{r} revised
x suppressed to meet the confidentiality requirements of the *Statistics Act*
^{E} use with caution
F too unreliable to be published
* significantly different from reference category ($p < 0.05$)

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Gender differences in the financial knowledge of Canadians

by Marie Drolet

Overview of the study

Using data from the 2014 Canadian Financial Capability Survey (CFCS), this study examines the gap in the financial knowledge of men and women and how the difference varies across socioeconomic characteristics such as age and education. It also provides additional insight into the financial knowledge of Canadian men and women who are married or in a common-law union.

- In 2014, Canadian women had lower financial literacy scores than men. About 15% of women and 22% of men correctly answered five key financial literacy questions related to interest, inflation and risk diversification.
- In 2014, women were less likely than men to consider themselves to be "financially knowledgeable" (31% versus 43%) and were less likely to state that they "know enough about investments to choose the right ones that are suitable for their circumstances" (48% versus 63%).
- Gender differences in financial knowledge were more pronounced among older Canadians, among the university-educated, and among higher-income workers.
- In couples where the male partner is mainly responsible for the long-term financial management of the household, 10% of women answered the five key financial literacy questions correctly, while 33% of male partners did so.
- When couples share the responsibility for the long-term financial management of the household or where women's contribution to household income is similar to that of their male partner, there is no gender difference in financial knowledge.

Introduction

There is increased pressure for Canadians to become more financially knowledgeable. The declining coverage of workers through employer-sponsored pension plans[1] and the shift in pension plan types from defined benefit to defined contribution[2] has placed more responsibility on individual Canadians to save and invest in order to finance their retirement years.

Decisions about how much to save or spend are often complicated by factors such as inflation, interest rates and financial markets, to name a few. The ability to plan, accumulate and manage financial assets depends on an individual's financial knowledge.

While the empirical evidence suggests that many people know little about simple financial concepts such as inflation, compound interest and risk diversification, it also suggests that women's financial knowledge falls behind that of men.[3]

Women also face different financial challenges than men. Canadian women can expect to live about 4.5 years longer than men and therefore must finance a longer period of retirement.[4] Canadian women have higher disability rates than men[5] and may incur costly long-term care needs as they age.[6] And their cumulative lifetime savings may be lower than men's given shorter working lives and lower earnings.

Using data from the 2014 Canadian Financial Capability Survey, this study examines the extent to which the financial knowledge of men and women differ, and whether these differences vary across socio-economic characteristics. The article also examines whether such differences are associated to the role played by men and women in the financial management of the household. Lastly, this study addresses whether seeking financial advice is viewed as a complement to, or a substitute for, financial knowledge.

Canadian women have lower financial literacy scores than men, and are less likely to have confidence in their financial skills

The CFCS provides both subjective and objective measures of the financial literacy of Canadians. The "more objective" measure consists of 14 questions to survey respondents related to inflation, interest rates, credit reports, stocks, risk, and debts and loans. The average scores obtained on the quiz can then be expressed as a percentage to provide a measure of financial literacy.

In 2014, men scored 62% and women scored 59% on the 14-question quiz (Table 1).[7] Although relatively small, the difference between women and men was statistically significant. However, women were less likely than men to correctly answer specific questions related to inflation (58% versus 69%) and risk diversification (38% versus 45%).

Another measure, called "5 questions correct," can be defined as the proportion of those who correctly answered five questions in the quiz that relate to basic financial concepts. The advantage of this method, largely inspired by the international literature on financial literacy, is the identification of individuals who can understand basic financial concepts such as interest, inflation and risk diversification (see *Data sources, methods and definitions*). According to this definition, 22% of men correctly answered all five key questions in 2014, while 15% of women did so (Chart 1).[8]

Examining more subjective measures of financial knowledge also revealed a gap between men and women. In 2014, 31% of women considered themselves to be financially knowledgeable, compared with 43% of men. Furthermore, women were less likely than men to state that they "know enough about investments to choose ones that are suitable for their circumstances" (48% versus 63%). In addition, women (45%) were more likely than men (32%) to provide at least one "don't know" response to specific financial questions (Chart 2).[9]

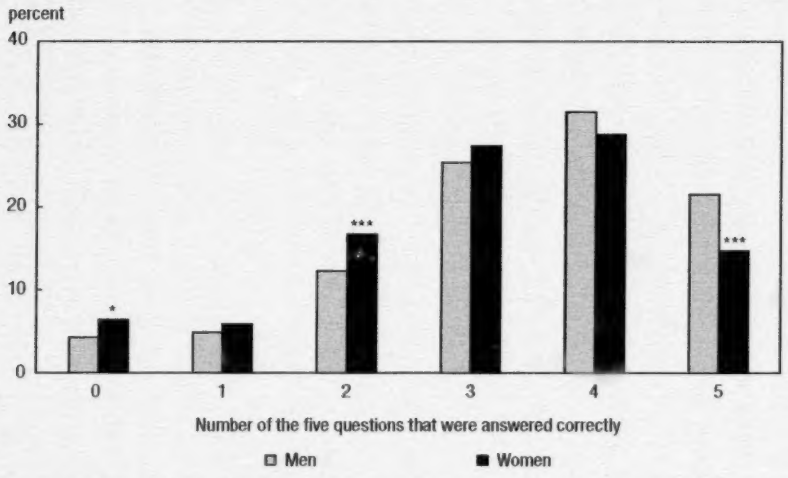
There is a sizeable difference between peoples' self-assessed knowledge and their actual knowledge based on quiz results. Many Canadians are generally confident in their financial knowledge and tend to overstate how much

Table 1
Financial knowledge of men and women by demographic characteristic, 2014

	Average quiz score			Answered all five questions correctly		
	Men	Women	Gap	Men	Women	Gap
	percent		percentage point	percent		percentage point
Overall	**62.2**	**58.6*** **	**3.6**	**21.5**	**14.7*** **	**6.8**
Age group						
18 to 24	56.1	58.0	-1.9	12.4	13.8	-1.4
25 to 34	61.5	58.5	3.0	19.9	14.7	5.2
35 to 54	65.1	61.8*	3.3	23.7	16.3***	7.4
55 to 64	66.7	60.4***	6.3	31.2	15.6***	15.6
65 and over	58.5	51.2***	7.3	18.5	11.6***	6.9
Education level						
High school or less	53.9	52.3	1.6	15.6	10.9*	4.7
Some postsecondary	62.7	60.4	2.3	20.0	15.8	4.2
University degree	72.6	64.3***	8.3	31.5	18.4***	13.1
Immigrant status						
Canadian-born	64.5	61.2***	3.3	23.6	16.6***	7.0
Immigrant	54.3	48.4**	5.9	14.4	7.6**	6.8
Employment status and income						
Not working	54.5	53.0	1.5	12.6	12.7	-0.1
Retired	57.4	55.2	2.2	18.8	13.0**	5.8
Working						
Bottom income quartile	57.9	56.1	1.8	17.0	13.8	3.2
2nd and 3rd income quartile	63.9	61.1*	2.8	22.6	15.0***	7.6
Top income quartile	74.8	68.5***	6.3	34.2	20.5***	13.7
Current marital status						
Married or common law	64.5	60.6***	3.9	24.3	16.1***	8.2
Separated, divorced or widowed	60.1	54.9**	5.2	21.5	13.0**	8.5
Single, never married	57.9	55.9	2.0	15.5	12.5	3.0

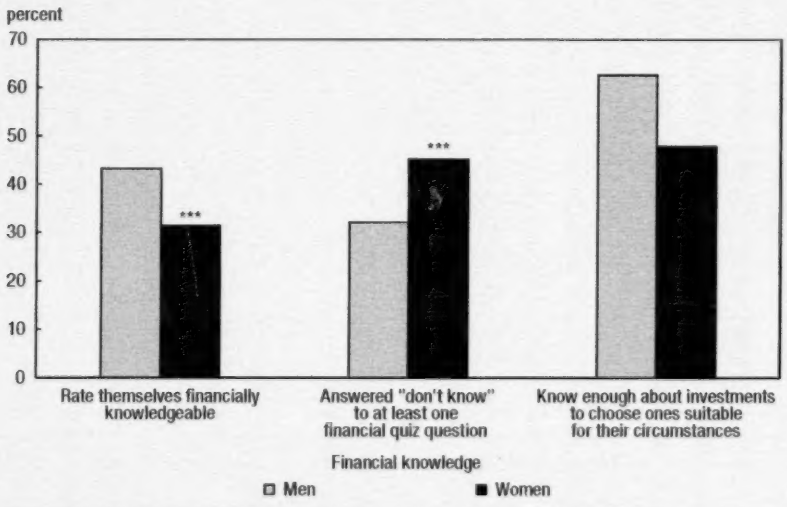
* significantly different from the reference category (men) ($p<0.10$)
** significantly different from the reference category (men) ($p<0.05$)
*** significantly different from the reference category (men) ($p<0.01$)
Note: All respondents were aged 18 and over.
Source: Statistics Canada, Canadian Financial Capability Survey, 2014.

Chart 1
Number of correct answers to five key financial questions, men and women, 2014



* significantly different from the reference category (men) (p<0.10)
*** significantly different from the reference category (men) (p<0.01)
Source: Statistics Canada, Canadian Financial Capability Survey, 2014.

Chart 2
Level of confidence in financial affairs, men and women, 2014



*** statistically different from the reference group (men) (p<0.01)
Source: Statistics Canada, Canadian Financial Capability Survey, 2014.

they actually know. For instance, of those respondents who rated themselves as knowledgeable, about 1 in 4 men and 1 in 3 women scored 50% or less on the 14-question quiz. On the flip side, about 1 in 4 men and women who reported a lack of confidence in their financial knowledge understated the extent of their financial literacy by scoring 79% or more on the 14 questions (or 11 correct answers).[10]

The more objective quiz questions and self-assessments of financial knowledge measure different aspects of financial knowledge. Objective assessments track cognitive ability and an awareness of common financial expressions that are pertinent to most peoples' everyday financial decisions. Self-assessments measure the respondent's perception of their own general financial knowledge and may serve as a proxy for what they need to know for their own day-to-day decisions (see *Other differences in financial knowledge* for a discussion about additional indicators of the gender gap in financial knowledge).

The remainder of this article uses objective assessments of financial knowledge (based on financial quiz questions) to provide a clearer focus on the extent to which Canadians are equipped to make informed financial decisions.[11]

Gender difference in financial knowledge more pronounced among older and educated Canadians

Gender differences in financial literacy were not necessarily similar across socioeconomic characteristics (Table 1).

Among those aged 55 to 64, for instance, men were twice as likely as women to answer the five questions correctly (31% versus 16%). In

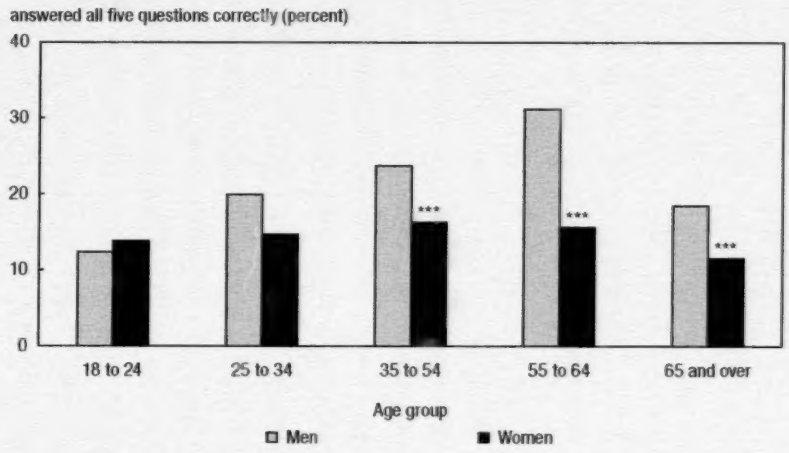
contrast, Canadian men and women under the age of 35 reported similar levels of financial knowledge.[12]

Financial knowledge follows a reverse U-shaped age pattern for men, whereby low levels of financial knowledge are reported among younger (aged 18 to 24) and older (age 65 and over) individuals. This pattern is less evident among Canadian women (Chart 3). The lower scores reported among older Canadians may reflect the increased complexity of financial markets and available services, while the lower scores among younger Canadians may reflect their inexperience in financial matters.

University-educated men were more likely to do better on tests of financial knowledge than university-educated women (by 13 percentage points) while there was no significant gender difference in test scores among less-educated Canadians (Chart 4).[13] This finding is driven mainly by age—there was no gender difference in financial knowledge among young university graduates (under 35 years of age) but there were significant differences among older university graduates (aged 35 and over).

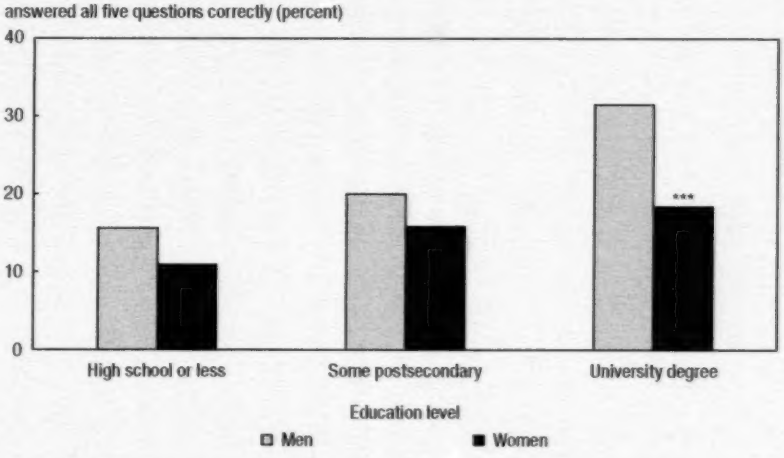
In general, higher education is associated with higher levels of financial knowledge, but the gradient in financial knowledge by education is smaller for women than men. For example, 11% of women with a high school education correctly answered the five financial knowledge questions compared with 18% of university-educated women. The numbers for men were 16% and 32%. Similar results were obtained with average scores in the 14-question test—the average obtained by university-educated men was 19 percentage points higher than that of their

Chart 3
Proportion of men and women who answered all five key financial questions correctly, by age, 2014



*** statistically different from the reference group (men) ($p<0.01$)
Source: Statistics Canada, Canadian Financial Capability Survey, 2014.

Chart 4
Proportion of men and women who answered all five key financial questions correctly, by level of education, 2014



*** statistically different from the reference group (men) ($p<0.01$)
Source: Statistics Canada, Canadian Financial Capability Survey, 2014.

high school counterparts, while the difference was smaller among women, at 12 percentage points.

Immigrant women were particularly more at risk of having lower rates of financial knowledge than both Canadian-born women and immigrant men. For example, 14% of immigrant men and 8% of immigrant women answered all five questions correctly compared with 24% and 17% of Canadian-born men and women.

Lastly, among the working population, the gender gap was more prevalent among high earners than among low earners.

Multivariate analyses confirm that the gender gap in financial knowledge among Canadians remains after taking account of age, education, immigration status, employment status and income. For example, all else equal, Canadian women are still about 7 percentage points less likely to give five correct answers than men.[14]

Gender difference noted among higher income Canadians in a couple

When the results are examined by marital status, a more nuanced story develops. Although men and women who are in a couple have the highest level of financial knowledge of all marital categories, the gender gap remains. More precisely, women living in a couple (either married or common-law) were 8 percentage points less likely to answer the five financial literacy questions correctly than their male counterparts. A similar gap was found among women who were ever married (i.e., currently separated, divorced or widowed), while the difference was smaller among those who were single, never married—mainly because men in this situation exhibit lower levels of financial knowledge.

Higher household income was associated with higher levels of financial knowledge for both men and women, regardless of marital status (Table 2). In the bottom quintile of the household income distribution, gender differences in financial knowledge were non-existent, both among persons who were not in a couple and among married or common-law individuals.[15] In the top quintile of the household income distribution, however, significant gender differences were seen among those who were in a couple, but not among those who were not in a couple.

In fact, women with higher incomes who were not in a couple were more likely to answer the five quiz questions correctly than married or common-law women in the same income category (28% versus 21%). Such a result among higher-income women may be the result of specialization that occurs within the household (i.e. gender differences in earnings and in the management of household finances). This notion is explored in the next section.

Are gender differences in financial knowledge among Canadians in couples the result of specialization within the household?

The CFCS provides information on the strategies that couples use to manage their activities. The relative contribution of each partner to total household income may be correlated with household economic behaviour. Here, the correlation between "who makes the money" and "who is most financially knowledgeable" is explored.

In single-earner households where the male partner is the sole earner, 28% of men and 14% of women answered the five financial knowledge questions correctly (Chart 5). In dual-earner households, the gender gap in financial knowledge is larger

Table 2
Proportion of men and women who answered all five key financial questions correctly, by marital status and by household income quintile, 2014

	Answered all five questions correctly					
	Not in a couple			Married or common-law		
	Men	Women	Gap	Men	Women	Gap
	percent		percentage point	percent		percentage point
Overall	**16.9**	**12.7***	**4.2**	**24.3**	**16.1*****	**8.2**
Household income (quintiles)						
Bottom quintile	9.5	8.7	0.8	15.9	10.8	5.1
Second quintile	12.5	11.8	0.7	15.7	15.0	0.7
Third quintile	22.3	10.2*	12.1	26.6	18.1*	8.5
Fourth quintile	15.3	15.9	-0.6	25.3	17.0*	8.3
Top quintile	33.5	27.5	6.0	36.0	21.2***	14.8

* significantly different from the reference category (men) ($p<0.10$)
*** significantly different from the reference category (men) ($p<0.01$)
Note: The quintiles are specific to each group (i.e. individuals not in a couple, and married or common-law indiviudals).
Source: Statistics Canada, Canadian Financial Capability Survey, 2014.

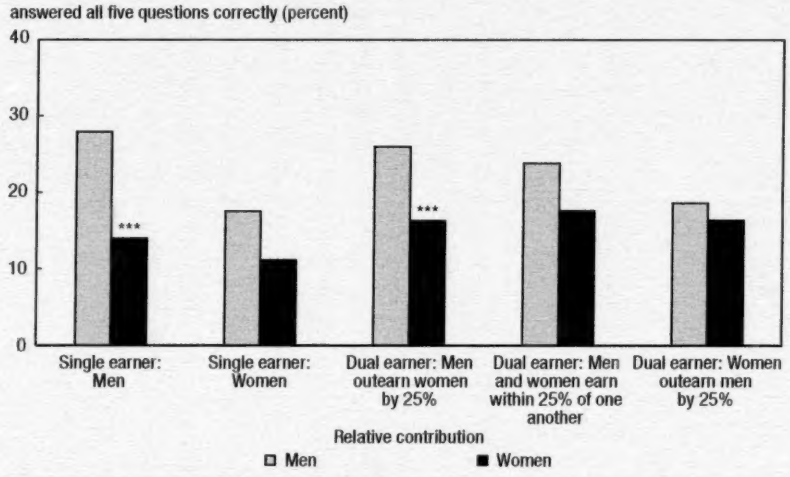
when men contribute relatively more to the couple's total household income than women. For example, when the male partner's income exceeds that of the female partner by at least 25%, more than a quarter of men (26%) and 16% of women answered the five financial knowledge questions correctly. The gender gap in financial knowledge lessens and becomes non-existent as the relative economic contribution within couples approaches and goes beyond parity.[16]

Another issue associated with household economic behaviour is how couples manage their long-term financial planning and investments. It might be expected that the partner with the most financial knowledge would specialize in the financial management of the household.[17] Unfortunately the CFCS neither asked the spouse of the respondent if they agreed with the respondent's perception of "who is responsible," nor did it ask the spouse of the respondent about the financial knowledge quiz. The closest approximate for comparison would be between respondents who reported that they were mainly responsible for household finances, and those who reported that their spouse was mainly responsible.[18]

Among those who reported **sharing** the responsibility for long-term financial management, there was no significant gender difference in the proportion answering all five questions correctly.

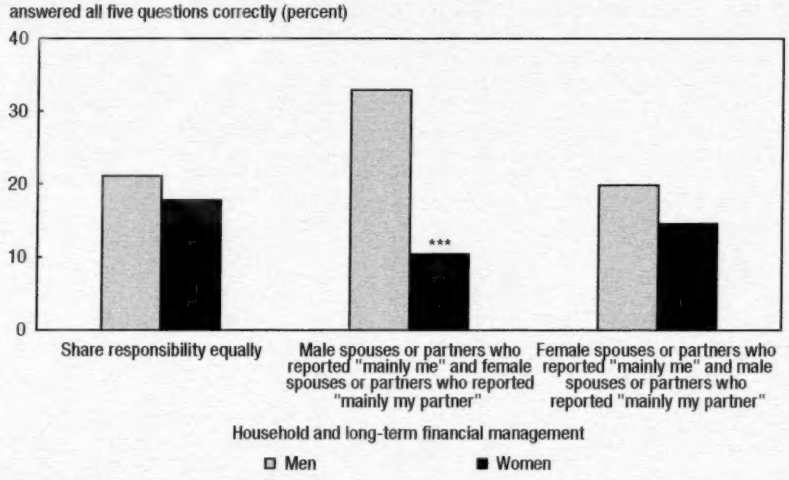
On the other hand, among male partners who reported that they were responsible for household finances, 33% answered the five questions correctly—compared with 10% of female partners who reported that their spouse was mainly responsible (Chart 6).[19] Lastly, there

Chart 5
Proportion of men and women who answered all five key financial questions correctly, by level of contribution to household income, 2014



*** statistically different from the reference group (men) (p<0.01)
Source: Statistics Canada, Canadian Financial Capability Survey, 2014.

Chart 6
Proportion of men and women who answered all five key financial questions correctly, by type of financial management in the household, 2014


answered all five questions correctly (percent)
40
30
20
10
0
***
Share responsibility equally
Male spouses or partners who reported "mainly me" and female spouses or partners who reported "mainly my partner"
Female spouses or partners who reported "mainly me" and male spouses or partners who reported "mainly my partner"
Household and long-term financial management
Men
Women

*** statistically different from the reference group (men) (p<0.01)
Source: Statistics Canada, Canadian Financial Capability Survey, 2014.

was no gender difference between male partners who reported that their spouse was mainly responsible and female partners who said that they were mainly responsible.[20]

In a multivariate model that included controls for who is responsible for the long-term financial management of the household as well as the relative contribution of each partner to the couple's total household income, the 8 percentage-point gender difference among married and common-law Canadians found in the aggregate was reduced to 6 percentage points, yet remained statistically significant.

Women seek financial advice more often than men

One strategy to compensate for lack of financial knowledge is to seek financial advice. While the percentage of women answering all five questions correctly was 7 percentage points lower than among men, 52% of women reported that financial advisors influenced their decisions regarding financial investments, compared with 44% of men (Table 3). These results hold in a multivariate setting.

However, both males and females who rely on advice from a financial advisor also have higher levels of financial knowledge. For example, men and women who relied on advice from a financial advisor were also more likely to answer the five questions correctly (26% and 18%) than those who did not rely on advice from a financial advisor (18% and 12%). These findings support other empirical research showing that financial knowledge and the use of formal financial advice practices may complement one other rather than be substitutes for one another.[21]

Table 3
Financial knowledge of men and women who did receive and did not receive advice from a financial advisor, 2014

	Men	Women
	percent	
Advice from a financial advisor	**43.9**	**51.5**
Average quiz score	67.5	62.7
Answered all five key questions correctly	25.8	17.6
No advice from a financial advisor	**56.1**	**48.5**
Average test score	58.1	54.2
Answered all five key questions correctly	18.2	11.7

Source: Statistics Canada, Canadian Financial Capability Survey, 2014.

Conclusion

As financial markets become more accessible and as alternative financial services become more widespread, managing personal and household finances has become more complicated for many Canadians. Financial management may be more of a challenge for women, since they have lower levels of financial literacy and have less confidence in their financial skills.[22] In 2014, for example, 15% of women answered five questions related to key financial notions related to interest, inflation and risk diversification correctly, compared with 22% of men.

Along with the increase in women's economic position within the household as witnessed by the growth in dual-earner families and the increase in the proportion of women outearning their husbands,[23] couple households have shifted away from a husband-dominated process to a joint decision-making process. Women now play a greater role in the purchase of large ticket items such as houses, automobiles, insurance and financial services.[24]

The changing status of families, however, may lead to an increased vulnerability for certain groups of women. Research from Canada shows that separation and divorce is more likely to impact older women's economic well-being, resulting in increased vulnerability to low income. Similar findings in the United States show that although marital disruption reduces wealth for both men and women, the effects are more profound for women.[25] The results presented here show that some Canadian women find themselves vulnerable to financial insecurity, as lower levels of financial knowledge were seen among those living in households characterized by an imbalance of economic resources and not fully participating in the household financial decision-making process.

Empirical evidence suggests that there is a link between financial knowledge and positive financial behaviours and economic outcomes—those with more financial knowledge are more likely to undertake retirement planning and those who plan tend to accumulate more wealth, while those with lower levels of financial knowledge tend to borrow more and accumulate less wealth, and report excessive debt loads, and are more likely to borrow against pension accounts.[26] How gender differences in financial knowledge influence financial behaviour and economic outcomes is a subject for further research.

Marie Drolet *is a senior researcher with the Labour Statistics Division at Statistics Canada.*

Data sources, methods and definitions

Data sources

The analysis contained in this study is based on data from the 2009 and 2014 cycles of the Canadian Financial Capability Survey (CFCS). The 2009 cycle was sponsored by the Financial Consumer Agency of Canada, Employment and Social Development Canada and the Department of Finance. The 2014 cycle was sponsored by the Financial Consumer Agency of Canada.

The survey—first conducted in 2009—sheds light on Canadians' knowledge, abilities and behaviour concerning financial decision making. The survey population includes the civilian and non-institutionalized population, aged 18 and over living in the 10 provinces. The overall response rate for the 2014 cycle was 56%.

Excluded from this article are respondents who did not provide usable responses to the self-assessment of financial knowledge (about 4% of the initial sample). This yields a study population of 6,297 respondents, representing just over 25.9 million Canadians.

Measuring financial knowledge

This article explores the gender gap using three measures of financial knowledge.

The first measure—**average test scores**—includes a tally of correct scores taken from 14 quiz-style questions. The questions and the correct responses are shown at the end of the document.

The second measure—**5 questions correct**—combines the correct responses to five specific questions from the quiz into a single indicator in an attempt to provide significant estimates and minimize measurement error associated with respondent guessing. This indicator can be used to situate the analysis in the empirical literature since it is similar in spirit to the "3 questions correct" used in the literature.[27]

The topics covered in the CFCS include inflation in the context of purchasing power (Q1); the interaction between amortization periods, principal amounts and interest rates (Q13 and Q14); knowledge of the difference between stocks, bonds, funds and bank accounts (diversification), and the safety factor or riskiness of the investment (Q8); and investment options with an understanding of inflation, again in the context of purchasing power (Q9).

The third, more subjective measure—**self-assessment**—asks respondents how they would rate their level of financial knowledge on a four-point scale with valid responses ranging from "not very knowledgeable" to "very knowledgeable."

Other differences in financial knowledge

Gender differences in financial knowledge are observed across several dimensions. First, men and women differ in their preferences in dealing with financial matters—men are more likely to enjoy dealing with financial matters than women (49% versus 35%). Second, men and women differ with regard to the amount of detail in their approach to financial matters—men are more likely than women to research choices thoroughly before making financial decisions (80% versus 74%). Finally, men and women differ in their interest in various aspects of financial matters—men are more likely to keep an eye on changes occurring in the housing, stock, money and job markets; and in interest rates, inflation, taxation, pensions and sales of consumer goods (65% versus 58%).

The results discussed above may either be a consequence of financial knowledge (because women have lower financial knowledge, women are less likely to enjoy dealing with financial matters) or they may help explain gender differences in financial knowledge (women have lower financial knowledge because they are less interested to deal with financial matters).

Notes

1. See Drolet and Morissette (1999).
2. See Drolet and Morissette (2014).
3. See Lusardi and Mitchell (2014).
4. In 2009, life expectancy at birth was 83.6 years for women and 79.3 years for men. See Statistics Canada (2014).
5. Among persons aged 65 and over in 2012, 35% of women and 31% of men had a disability. See CANSIM table no. 115-0001.
6. See Houser (2007).
7. In 2009, men scored 63% and women scored 59% on average.
8. Lusardi and Mitchell (2014) show that few people across countries can correctly answer basic financial literacy questions.
9. These estimates are slightly higher than in 2009, when 39% of men and 30% of women rated themselves as financially knowledgeable. Answers to the self-assessment of financial knowledge may be sensitive to the economic environment at the time of the survey. The 2009 CFCS was conducted during a period in which stock market values had declined, unemployment rates had increased and considerable media attention was focused on the prospect of a global recession.
10. Lusardi and Mitchell (2014) provide similar international evidence.
11. This paper profiles Canadians who are the most equipped to make informed financial decisions using objective assessments. Using self-reported financial knowledge as a measure of financial knowledge yields similar qualitative conclusions to those reported here. While it is recognized that financial knowledge and self-confidence in financial knowledge are clearly related, no attempt is made to untangle their separate and combined effects. In addition, this paper does not address how financial knowledge influences financial behaviour and outcomes.
12. This finding is at odds with research in other countries that suggests that young women in the United States, Germany and the Netherlands seem less equipped to make important financial decisions than young men (Lusardi et al. 2010; Bucher-Koenen et al. 2014).
13. Mahdavi and Horton (2014) examined the alumnae from a highly selective women's college in the United States and showed that even among a select well-educated group, women are not particularly financially literate. Chen and Volpe (2002) found that male students in the United States outperformed female students on general knowledge, savings and borrowing, and investment questions.
14. This is similar to the finding for the United States in Bucher-Koenen et al. (2014). However, in Germany and the Netherlands, gender differences in the independent variables account for about one-half of the gender gap in financial knowledge.
15. People living in low income may have low levels of financial knowledge since they may have little need for certain financial services, resulting in having less experience with and exposure using these services (for example, RRSP savings and investments in the stock market). Some observers argue that the lack of financial knowledge among low income households may be less important, given that many will draw a retirement income replacement rate of nearly 100% with Old Age Security, Guaranteed Income Supplements or other transfers.
16. Dual-earner households were identified using the labour force status variable of the respondent and his/her spouse. Since the CFCS did not provide a direct measure of spousal income, spousal income was derived as the difference between total household income and the respondent's total income. The resulting analytical sample consists of 1,711 respondents living in a dual-earner couple (married or common-law partner) at the time of the survey. An additional 40 respondents were excluded from this part of the analysis since they did not provide complete information on the income variables used in this analysis.
17. The CFCS also collects information about "who is responsible for the day-to-day financial obligations." While interesting, this question includes money management practices that can sometimes be routine and time-consuming. The question "who is responsible for the long-term financial planning and investment" deals with more complex financial matters and may be a better indicator of cognitive ability in terms of financial knowledge.

18. This should pose no issue since the results should be representative of the true population at the aggregate level. However, there appears to be a discrepancy between men and women when they are asked who is mainly responsible for the long-term financial planning and investment in the household. About one-third of men and women state that the responsibilities are "mainly shared." The fraction of respondents that reports "mainly me" should match the fraction that reports "mainly my spouse." Here, men are more likely to report "mainly me" (23%) than women are to report "mainly my partner" (14%). Furthermore, 12% of women reported "mainly me," while only 6% of men reported "mainly my partner."

19. The average quiz score of husbands or male partners who report they are mainly responsible is 69%, compared with the average score of wives or female partners who report their spouse is mainly responsible is 58%.

20. It is possible that individuals within the couple sort themselves into being responsible for financial matters based on their **relative** financial knowledge. In other words, what really matters is the relative difference in financial knowledge within the couple. Unfortunately, the CFCS data do not allow for the observation of these relative differences.

21. See Collins (2012); Hackethal et al. (2012). Several important caveats should be kept in mind. First, the CFCS does not shed light how financially literate Canadians are prior to seeking financial advice. Second, the CFCS does not ask how often these services are used by respondents. Third, there is no indicator of the quality of financial advice provided. Finally, there is no indication of the relative importance of the advice from a financial advisor regarding decisions about financial investments.

22. The findings are consistent with other research showing that women, in comparison to men, are more risk-averse, less confident when making financial decisions and less knowledgeable in terms of financial literacy (see Goldsmith and Goldsmith 1997; Chen and Volpe 2002).

23. The proportion of husband–wife families that were dual earners increased from 55% in 1981 to 64% in 2011. The proportion of husband–wife families where the woman either earned more than her husband or where she was the sole earner increased from 11% in 1981 to 26% in 2011. See CANSIM table no. 202-0105.

24. See Belch and Willis (2002).

25. See Davies and Denton (2002) for Canadian results and Gillen and Kim (2009) for American results.

26. See Lusardi and Mitchell (2008 and 2011) on wealth accumulation; Lusardi and Tufano (2009) on debt; and Utkus and Young (2011) on pension accounts.

27. See Lusardi and Mitchell (2014).

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Financial knowledge quiz

Q1 If the inflation rate is 5% and the interest rate you get on your savings is 3%, will your savings have at least as much buying power in a year's time?

1. Yes
2. No

Q2 A credit report is…?

1. A list of your financial assets and liabilities
2. A monthly credit card statement
3. A loan and bill payment history
4. A credit line with a financial institution

Q3 Who insures stocks in the stock market?

1. The National Deposit Insurance Corporation
2. The Securities and Exchange Commission
3. The Bank of Canada
4. No one

Q4 True or false. By using unit pricing at the grocery store, you can easily compare the cost of any brand and any package size.

1. True
2. False.

Q5 If each of the following persons had the same amount of take home pay, who would need the greatest amount of life insurance?

1. A young single woman with two young children
2. A young single woman without children
3. An elderly retired man, with a wife who is also retired
4. A young married man without children

Q6 If you had a savings account at a bank, which of the following statements would be correct concerning the interest that you would earn on this account?

1. Sales tax may be charged on the interest that you earn
2. You cannot earn interest until you pass your 18th birthday
3. Earnings from savings account interest may not be taxed
4. Income tax may be charged on the interest if your income is high enough

Q7 Inflation can cause difficulty in many ways. Which group would have the greatest problem during periods of high inflation that lasts several years?

1. Young working couples with no children
2. Young working couples with children
3. Older, working couples saving for retirement
4. Older people living on fixed retirement income

Q8 Lindsay has saved $12,000 for her university expenses by working part-time. Her plan is to start university next year and she needs all of the money she saved. Which of the following is the safest place for her university money?

1. Corporate bonds
2. Mutual Funds
3. A bank savings account
4. Locked in a safe at home
5. Stocks

Q9 Which of the following types of investment would best protect the purchasing power of a family's savings in the event of a sudden increase in inflation?

1. A twenty-five year corporate bond
2. A house financed with a fixed-rate mortgage
3. A 10-year bond issued by a corporation
4. A certificate of deposit at a bank

Q10 Under which of the following circumstances would it be financially beneficial to borrow money to buy something now and repay it with future income?

1. When something goes on sale
2. When the interest on the loan is greater than the interest obtained from a savings account
3. When buying something on credit allows someone to get a much better paying job
4. It is always more beneficial to borrow money to buy something now and repay it with future income

Q11 Which of the following statements is not correct about most ATM (Automated Teller Machine) cards?

1. You can get cash anywhere in the world with no fee
2. You must have a bank account to have an ATM card
3. You can generally get cash 24 hours-a-day
4. You can generally obtain information concerning your bank balance at an ATM machine

Q12 Which of the following can hurt your credit rating?

1. Making late payments on loans and debts
2. Staying in one job too long
3. Living in the same location too long
4. Using your credit card frequently for purchases

Q13 What can affect the amount of interest that you would pay on a loan?

1. Your credit rating
2. How much you borrow
3. How long you take to repay the loan
4. All of the above

Q14 Which of the following will help lower the cost of a house?

1. Paying off the mortgage over a long period of time
2. Agreeing to pay the current rate of interest on the mortgage for as many years as possible
3. Making a larger down payment at the time of purchase
4. Making a smaller down payment at the time of purchase

Answer Key

Question	Answer	Question	Answer
1	2	8	3
2	3	9	2
3	4	10	3
4	1	11	1
5	1	12	1
6	3 and 4	13	4
7	4	14	3